



FEDERAL HOUSING ADMINISTRATION

## NOT NECESSARILY PREDATORY BUT STILL PAINFUL?

If you've had enough of high monthly mortgage rates or you have an adjustable rate mortgage about to increase, you owe it to yourself to see how an FHA-insured mortgage can help you save. Affordable, reliable and dependable, FHA has helped millions of people obtain and keep the dream of homeownership by providing stable financing solutions since 1934.

The federal Fair Housing Act makes it unlawful to discriminate in the sale, rental, or financing of homes because of race, color, national origin, religion, sex, familial status, or disability. If you believe you are a victim of housing discrimination, contact HUD's Office of Fair Housing and Equal Opportunity at 1-800-669-9777.

## WHAT IS FHA?

The Federal Housing Administration (FHA) is part of the U. S. Department of Housing and Urban Development (HUD) and makes homeownership available to individuals and families that need a little extra assistance, by providing mortgage insurance on loans made by FHA-approved lenders throughout the United States and its territories. FHA borrowers are often first time homebuyers, moderate income families or folks who can't afford a large down payment.

## WANT TO KNOW MORE ABOUT FHA OR HOW TO AVOID PREDATORY LENDERS?

Visit [www.hud.gov/fha](http://www.hud.gov/fha)  
or call the  
FHA Resource Center at  
1-800-CALL-FHA  
(1-800-225-5342)  
1-877-TDD-2HUD  
(1-877-833-2483)



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
FEDERAL HOUSING ADMINISTRATION  
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## *Don't Be A Victim Of Loan Fraud*

*Protect Yourself from  
Predatory Lenders*



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(1-800-225-5342)



## WHAT IS PREDATORY LENDING?

Predatory lending is a term used to describe a number of illegal or unethical actions purposely taken in order to profit at the expense of others. Predatory lending causes homebuyers to get loans that they can't afford, with interest rates and terms that are unfair or loan amounts that are higher than the value of the property. In communities across America, people risk losing their homes, their good credit and their investment because of predatory lenders, appraisers, mortgage brokers and home improvement contractors who:

- Knowingly lend more money than a borrower can afford to repay.
- Encourage borrowers to lie about their income, expenses, or cash available for a down payment in order to get a loan.
- Charge high interest rates to borrowers based on their race or national origin and not on their credit history.
- Charge fees for unnecessary or nonexistent products and services.
- Pressure borrowers to accept loans with high risk terms such as balloon payoffs, interest-only payments and steep pre-payment penalties.
- Assist in the sale of properties for much more than they are worth using false appraisals.
- Target vulnerable borrowers with medical, unemployment or debt problems for cash out refinance offers.
- "Strip" homeowners' equity from their homes by convincing them to refinance again and again when there is no benefit to the borrower.
- Use high pressure sales tactics to sell home improvements and then finance them at unreasonably high interest rates.

## WHAT TACTICS DO PREDATORS USE?

Every year, misinformed homebuyers, often first-time purchasers or seniors, become victims of predatory lending practices and loan fraud.

### *Don't let a lender or seller tell you:*

- They are your only chance of getting a loan or owning a home.
- It's OK to sign a sales contract or loan documents that are blank or contain untrue information.
- You must sign closing documents even if the costs or terms are not as you agreed.
- The house you are buying is worth much more than similar homes in the neighborhood but isn't any bigger or better.
- Repairs to the house you are buying will be done after closing and don't need to be included in the contract.
- Refinancing can solve your credit or money problems.
- You can only get a good deal on a home improvement if you finance with a particular lender.

Buying or refinancing a home is the most important and complex financial decision most people ever make. Many lenders, appraisers and real estate professionals are ready to help you get a great home and a good loan. However, you need to be a smart consumer – take your time, shop around and compare prices on houses and loans.

Before you buy a home, attend a free homeownership course offered by a HUD-approved counseling agency. HUD-approved housing counselors offer pre-purchase counseling to help you understand the buying and lending process. To find a counselor near you, call **1-800-569-4287** or go to HUD's web site **[www.hud.gov](http://www.hud.gov)**.

## TIPS FOR SMART CONSUMERS

1. **Shop around and compare costs.** Interview several real estate agents and check references. Get loan offers from several lenders. Be suspicious of anyone who tries to steer you to just one lender.
2. **Be honest on your application.** Don't let anyone convince you to make a false statement on your loan application, such as misrepresenting your income or the amount of your debts. Lying on a mortgage application is fraud and may result in criminal penalties.
3. **Never sign a blank document.** If a blank space on a document does not apply to you, write "N/A" or cross through the space.
4. **Borrow only what you can afford.** Do not let anyone convince you to borrow more money than you know you can afford to repay. A HUD-approved housing counselor can help you determine a reasonable payment based on your budget.
5. **Don't sign anything that you don't understand.** Before signing, have your contract and loan agreement reviewed by an attorney or ask for help from a HUD-approved housing counselor.
6. **For your protection get a home inspection.** Always use a properly licensed home inspector to carefully inspect a property before you are obligated to buy. The inspection will identify essential repairs so you do not end up buying a home with problems you can't afford to fix. Determine whether you or the seller will be responsible for paying for repairs. If you have to pay for repairs, determine if you can afford to make them.
7. **Be honest about your intention to occupy the house.** To state that you are planning to live in the property when, in fact, you are not (because you intend to rent the house to someone else or fix it up and resell it), violates Federal law.